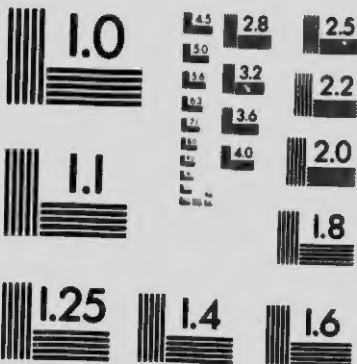


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BUDGET SPEECH

DELIVERED BY

HON. H. T. DUFFY

PROVINCIAL TREASURER

... IN THE ...

LEGISLATIVE ASSEMBLY OF QUEBEC

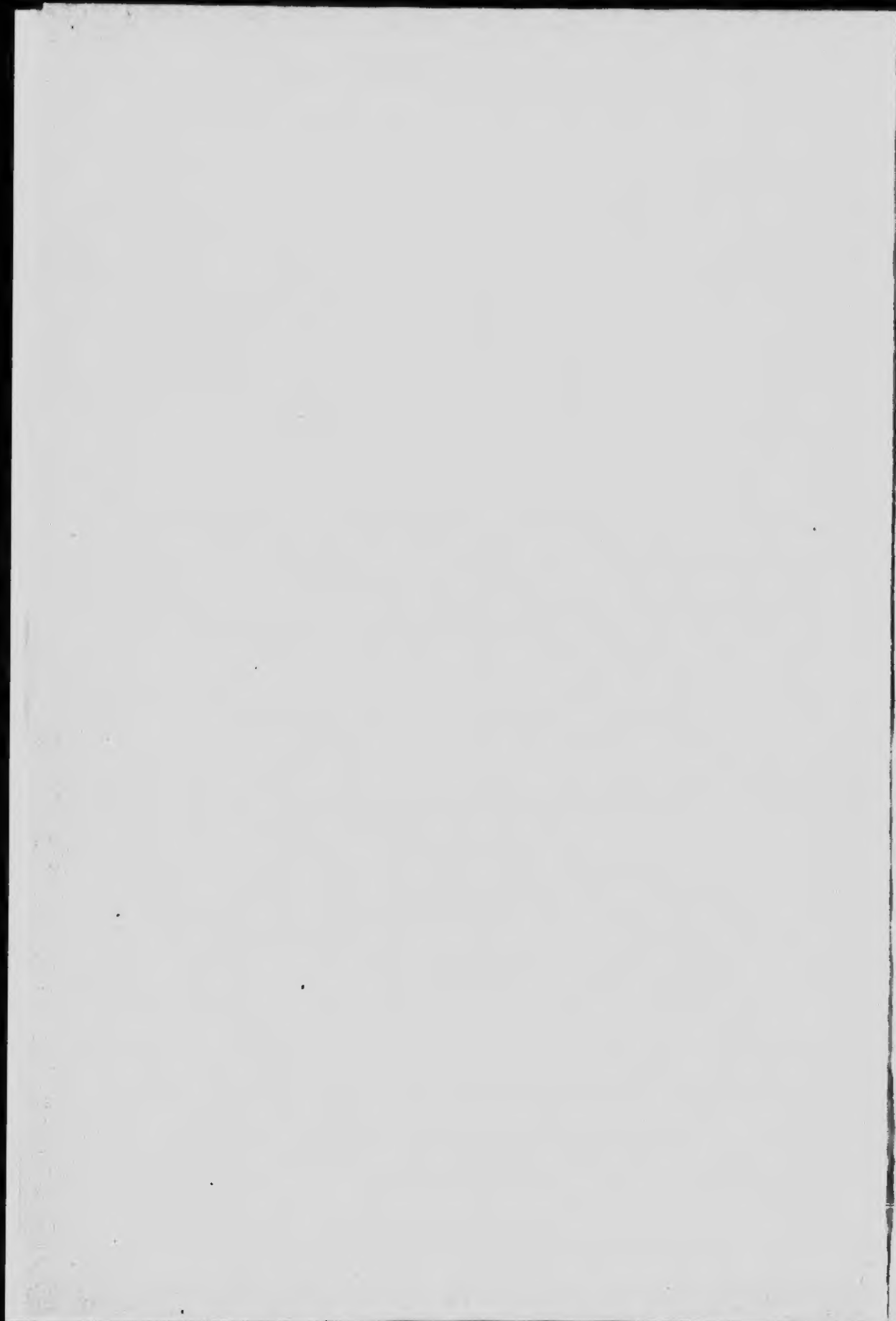
MARCH 26th, 1903.



QUEBEC

"DAILY TELEGRAPH" BOOK AND JOB PRINT

1903



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BUDGET SPEECH

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PROVINCIAL TREASURER

.. IN THE..

LEGISLATIVE ASSEMBLY OF QUEBEC

MARCH 26th, 1903

MR. SPEAKER,

It is my duty, once again, to present to this House a summary of the financial condition of the Province. I shall endeavour to be as brief as possible, without omitting any matter of importance. The financial year ending the 30th of June, 1902, will be fully explained; the state of our finances for that part of the current year which has expired, will be glanced at. I will lay before the House a summary of the estimates of receipts and expenditures for the financial year commencing the 1st of July next, and I shall briefly refer to our future prospects.

I am obliged to tell of increasing needs, without a corresponding increase in our means of meeting them, but this is nothing new. The

financial history of this Province is little else than a record of an expenditure exceeding our ordinary revenue annually by enormous sums.

The difference has been supplied partly by new taxes, but mainly by loans that have resulted in the debt which to day encumbers this Province.

MEANING OF THE ELECTIONS OF 1897.

The imposition of new taxes and the rapid increase of the Public Debt, produced a feeling of unrest and anxiety in the minds of the electors of this Province. This feeling found expression in the General Elections in May, 1897. These issues were squarely and fully placed before the electors at the time. The then Prime Minister, now the leader of the Opposition, and his followers, championed the side of new taxes and increased indebtedness, while the late Honourable Mr. Marchand, then the leader of the Opposition, just as unequivocally took the opposite side.

QUESTIONS SUBMITTED TO ELECTORS.

The two questions submitted to the electors, were : Are you in favour of new taxes ? Are you in favour of increased indebtedness ?

ANSWER OF THE ELECTORS.

To both questions the electors gave a most emphatic answer in the negative.

MR. MARCHAND ACCEPTS THE MANDATE.

Mr. Marchand, in good faith, without any equivocation, accepted the mandate thus given him ; formed a Government composed of men well known to be in sympathy with his views, and until the day of his lamented death did not swerve from the course laid down by the electors for him.

MR. PARENT'S ADMINISTRATION

Upon the death of Mr. Marchand, Mr. Parent was called upon to form an Administration. He did so, and declared he continued the policy of his predecessor, Mr. Marchand, and to remove all doubt, at once appealed to the electors. That appeal was answered with the most extraordinary unanimity ever heard in this Province, and left no doubt as to the authority we have received.

THE OPPOSITION.

The Opposition in changing their seats have evidently not changed their opinions. Each year they urge us to be bold, to launch out with new enterprises, new works and new undertakings that must evidently involve the expenditure of large sums of money that can only be provided

for by loans, and new taxes to pay the interest on the sums borrowed. Under their seductive eloquence, however, we are ever mindful of the famous line of Virgil :—

"Timeo Danaos et dona ferentes".

We have been given a mandate by the people, and in accepting that mandate an implied contract has arisen between the Government and the people, which ought not to be changed, without the change being ratified by the electorate.

THE STANDARD BY WHICH THE GOVERNMENT OUGHT TO BE JUDGED

The standard, therefore, by which the Government ought to be judged, is the extent to which it has carried out its contract with the people and followed their mandate. The Government is quite willing to be judged by that standard, and courts the closest scrutiny. We have kept our contract and followed our mandate strictly and faithfully in the past.

I propose to demonstrate by the following figures that the financial year which closed on the 30th of June last, was no exception to the rule which, since the advent of Mr. Marchand to power in 1897, has become general.

RECEIPTS AND EXPENDITURE.

The Public Accounts for the financial year ending the 30th June last, were laid before the House on the opening day of the session, and show that the receipts and expenditure have been as follows :

ORDINARY RECEIPTS AND EXPENDITURE

Ordinary Receipts.....	£4,515,169 88
Ordinary Expenditure.....	4,470,332 15
Surplus	\$ 44,837 73

EXTRAORDINARY EXPENDITURE

The extraordinary expenditure has been.....	\$ 20,345 17
The surplus, therefore, of ordinary receipts over both ordinary and extraordinary expenditure is.....	\$ 24,492 56

TOTAL RECEIPTS AND EXPENDITURE.

The total receipts and expenditure, exclusive of Railway and Quebec Bridge Subsidies, Q. M. O. & O. Railway construction, and amounts paid and received in conversion of debt, have been as follows:

Receipts.....	\$ 4,601,029 81
Expenditure.....	4,578,770 66
Surplus.....	<u>\$ 27,259 15</u>

COMPARISON OF ESTIMATED RECEIPTS AND EXPENDITURE WITH ACTUAL RECEIPTS AND EXPENDITURE OF 1901-1902.

Estimated ordinary receipts.....	\$ 4,321,761 89
Estimated ordinary expenditure.....	4,207,643 28
Estimated surplus.....	<u>\$ 54,118 61</u>

ACTUAL RECEIPTS

The actual ordinary receipts have been.....	\$ 4,515,169 88
Deduct estimated receipts.....	4,321,761 89
More than the estimates.....	<u>\$ 193,407 99</u>

ACTUAL EXPENDITURE

The actual ordinary expenditure was.....	\$ 4,470,332 15
The estimated ordinary expenditure was.....	4,267,643 28
More than the estimates.....	<u>\$ 202,688 87</u>

RESULTS PRACTICALLY AS ESTIMATED.

While, therefore, the actual ordinary expenditure has exceeded the estimated expenditure, the ordinary actual receipts have exceeded the estimated receipts by nearly a like sum, producing very little difference in the estimated results.

The estimated surplus was.....	\$ 54,118 61
The actual surplus is.....	44,837 73
Leaving a difference of.....	<u>\$ 9,280 88</u>

When we remember that we are dealing with about four millions and a half, I think it will be admitted that my forecast was as nearly correct as possible.

INCREASE OF RECEIPTS IN CERTAIN SERVICES.

Certain services have increased over that estimated by.....	\$	258,883	42
While others show less by.....		65,425	43
A difference of.....	\$	193,407	99

PRINCIPAL ITEMS OF INCREASE

The principal items of increase were :

Lands, Mines & Fisheries.....	\$	142,111	75
Licenses.....		31,229	18
Direct taxes on commercial corporations.....		51,695	13
Interest on loans and deposits.....		6,600	56

PAYMENTS IN EXCESS OF ESTIMATES

We have paid in excess of estimates :

For Agriculture.....	\$	27,608	69
For Lands, Mines & Fisheries.....		17,048	83
For Colonization.....		26,040	00
Miscellaneous services.....		22,256	79
Payments by sheriffs out of collections.....		17,336	92

PAYMENTS LESS THAN ESTIMATED

We have paid less than estimated on the following services :

Public Debt.....	\$	15,635	23
Civil Government.....		8,669	81
Charges on revenue.....		4,890	55

EXTRAORDINARY EXPENDITURE

The estimate for extraordinary expenditure was.....	\$	33,300	00
The actual expenditure has been.....		20,345	17
Difference.....	\$	12,954	83

The following items have not been expended :

New Court House, Sherbrooke.....	\$	15,000	00
Heating apparatus, Gaol, Three Rivers.....		680	00
do do Court House, Murray Bay.....		575	92

COMPARISON OF THE RECEIPTS AND EXPENDITURE OF 1901-1902 WITH THOSE OF 1900-1901.

ORDINARY RECEIPTS

The total ordinary receipts for 1900-1901, were.....	\$ 4,563,432 18
The total ordinary receipts for 1901-1902, were.....	4,515,169 88
A decrease in receipts of 1901-1902, of.....	\$ 48,262 30

DETAILS

Certain services showed an increase in receipts over the preceding year, while others showed a diminution.

INCREASES

The principal increase was found in the following :

LICENSES.....	\$ 19,260 95
DIRECT TAXES ON COMMERCIAL CORPORATIONS.....	17,587 50
DUTIES ON SUCCESSIONS.....	59,252 35
RAILWAY TAXES.....	11,604 12

The revenue from Licenses for the year ending 30th June last, was.....	\$ 681,229 18
For the year 1896-97.....	586,176 42
Increase.....	\$ 95,052 76

The receipts from Direct Taxes on Commercial Corporations last year were.....	\$ 231,695 13
Receipts from same source in 1896-97, were.....	134,404 03
Increase.....	\$ 97,291 10

From these two sources of revenue alone, without the rate of taxation being raised, the receipts have increased in round numbers about..... \$ 200,000 00

The increase is explained by the strict and impartial enforcement of collections.

ORDINARY EXPENDITURE

The total Ordinary Expenditure for 1900-1901 was..	\$4,492,092 44
The total Ordinary Expenditure for 1901-1902 was.	4,470,332 15
Decrease in Ordinary Expenditure of 1901-1902, \$	21,760 29

1901-1902	The expenditure on Agriculture was more, chiefly in connection with Farmer's Clubs.....	\$ 17,141 56
2 18	While the expenditure was less in connection with Legislation by.....	\$ 27,875 46
9 88	Public Works and Buildings by.....	\$ 24,042 52
2 30	Miscellaneous by.....	\$ 19,631 75

preceding

The decrease is explained in connection with Legislation by the difference in the cost of holding the elections. In connection with Public Works, by the difference in connection with the cost of insurance; and in connection with Miscellaneous, by the sums expended for relief to the sufferers by the fire at Hull and Ottawa.

EXTRAORDINARY EXPENDITURE

9,260 95	The Extraordinary Expenditure on Public Works and Buildings during the year 1901-1902, has been.....	\$ 3,820 01
7,537 50	less than in 1900-1901.	
9,252 35	The payments on account of Railway Subsidies during 1901-1902 have been.....	\$ 55,647 83
6,604 12	less than in 1900-1901.	
2,229 18	The payments on account of Quebec Bridge Subsidy have been the same as in 1900-1901.	
176 42		
052 76		
695 13	The balance of Railway Subsidies authorized by Acts of the Legislature, but not earned at 30th June, 1902, was.....	\$ 594,679 08
404 03		
291 10	The balance of the Quebec Bridge Subsidy authorized by Acts of the Legislature, but not earned at 30th June, 1902, was	\$ 190,000 00
000 00	The Subsidy for the Bridge over the Ottawa at Portage du Fort remaining unearned and unpaid at 30th June, 1902, was.....	\$ 5,000 00

THE CURRENT YEAR.

ent of

The statement of the receipts and payments for the current year up to the 1st of March instant, has been brought down and laid before the House. It shows our financial condition to differ but little from that of the corresponding period of last year. There is a falling off in the amount received from succession duties compared with the year ending 30th of June last.

2 44
32 15
0 29

We cannot, at this period of the financial year, predict exact results but there is reason to hope that it will be as satisfactory as that of the previous year.

ESTIMATES FOR THE YEAR 1903-1904.

I make the following estimate of receipts and expenditure for the year 1903-1904.

The statement has been prepared from the estimates obtained from the different departments, and it is needless to say with a due regard to the strictest economy.

I estimate the total Ordinary Receipts at.....	\$ 4,478,765 34
and the total Ordinary Expenditure at.....	4,426,133 91

Leaving a Surplus of Ordinary Receipts over Ordinary Expenditure of.....	\$ 52,631 43
--	--------------

I estimate the Extraordinary Expenditure at.....	50,500 00
--	-----------

I estimate the Surplus of Ordinary Receipts over Ordinary & Extraordinary Expenditure, less Railway Subsidies, at.....	\$ 2,131 43
--	-------------

The Railway Subsidies are estimated at.....	\$ 192,284 00
---	---------------

STATEMENT E.

ESTIMATED RECEIPTS, 1903-1904.

DOMINION OF CANADA :

Subsidy under B. N. A. Act	80,39,252 80	
Interest on Trust Funds	75,251 86	
Special Subsidy, 47 Vict., chap. 1	127,460 68	
Interest on Railway Subsidies under 47 Vict., chap. 8	119,700 00	
		\$1,281,665 34

INTEREST :

Interest on price of sale Q. M. O. & O. Railway	300,000 00	
Interest on Loans and Deposits	10,000 00	
		310,000 00

LANDS, MINES & FISHERIES	1,226,500 00
--------------------------------	--------------

ADMINISTRATION OF JUSTICE :

Law Stamps	195,000 00	
Law Fees	10,000 00	
Building and Jury Fund	50,000 00	
Maintenance of Prisoners	11,000 00	
Gaol Guards, Montreal and Quebec	1,000 00	
Montreal Gaol	1,500 00	
Other Gaols—Prisoners' earnings	200 00	
Montreal Court House	1,000 00	
High Constable's Fees, Quebec	500 00	
		256,200 00
Registration Stamps (including fees of salaried Registrars)		65,000 00
Licenses		675,000 00
Direct Taxes on Commercial Corporations		232,000 00
Duties on Successions		258,000 00
Percentage on Fees of Public Officers		6,000 00
Percentage on renewals of Mortgages		100 00
Maintenance of Insane		75,000 00
Maintenance of Inmates of Industrial and Reformatory Schools		25,000 00
Legislation		15,000 00
Official Gazette		19,000 00
Rents of Public Buildings		1,000 00
Casual Revenue		1,000 00
Provincial Insurance Companies—Contributions		400 00
Contributions to Pensions, Civil Service		5,000 00
Premium, Discount and Exchange		2,000 00
Railway Subsidies Tax		15,000 00

\$ 4,478,765 34

STATEMENT F.
ESTIMATED EXPENDITURE, 1903-1904.

Public Debt.....	\$1,562,103 05
Legislation.....	206,933 50
Civil Government.....	272,688 50
Administration of Justice.....	536,362 30
Public Instruction.....	467,590 00
Colonization and Public Works :	
Colonization Branch.....	\$105,250 00
Public Works Branch, Ordinary.....	134,220 81
	239,470 81
Agriculture.....	221,850 00
Lands, Mines & Fisheries.....	217,000 00
Lunatic Asylums.....	365,825 00
Reformatory and Industrial Schools.....	60,000 00
Charities.....	46,210 75
Charges on Revenue.....	129,000 00
Miscellaneous Services.....	102,100 00
	4,426,133 61
Public Works and Buildings—Extraordinary.....	50,500 00
	4,476,633 61
Railway Subsidies.....	192,284 00
	\$4,668,917 61

CASH OPERATIONS 1901-1902.

Cash in Banks at 30th June, 1901	\$295,328 70
From which have been paid outstanding Warrants at 30th June, 1901.....	207,354 94
	<u>\$ 87,973 76</u>

The Receipts from the 1st July, 1901, to 30th June, 1902, were :

Ordinary Revenue.....	\$4,515,169 88
Trust Deposits	66,635 54
Sales of Exhibition Grounds, Montreal.....	19,224 39
	<u>\$4,601,029 81</u>

The Payments (exclusive of Railway Subsidies, Q. M. O. & O. Railway construction and Subsidy to Quebec Bridge Company) from 1st July, 1901 to 30th June, 1902, were :

Ordinary Expenditure.....	\$4,470,332 15
Extraordinary Expenditure	20,345 17
Trust Deposits.....	64,822 44
Expenses of Sales of Exhibition Grounds.....	266 61
Payment to Montreal Exposition Company.....	18,004 29
	<u>\$4,573,770 66</u>

Excess of Receipts..... 27,259 15

The Payments on account of Railway Subsidies, Q. M. O. & O. Railway Construction and Subsidy to Quebec Bridge Company, from 1st July, 1901, to 30th June, 1902, have been :

Railway Subsidies.....	\$ 87,670 27
Q. M. O. & O. Railway Construction.....	1,299 00
Quebec Bridge Company	30,000 00
	<u>68,969 27</u>

Balance of Cash on 30th June, 1902..... \$46,263 64

Viz :—Cash in Banks..... \$139,632 92

Less Outstanding Warrants included in above payments..... 93,369 28

\$ 46,263 64

STATEMENT G.

Approximate statement of Liabilities and Assets of the Province of Quebec at 30th June, 1902.

LIABILITIES.

Funded Debt outstanding as existing before conversion..	833,196,074 00
Increase of capital by conversion.....	1,738,797 24
	<hr/> 834,934,871 00
Temporary Loan.....	700,000 00
Trust Deposits	440,787 84
Outstanding Warrants.	93,360 28
Railway money subsidies authorized but not yet earned...	8136,195 50
Railway land subsidies converted into money subsidies at 52½ cents per acre, authorized but not yet earned.....	458,483 58
	<hr/> 594,679 08
Grant to bridge over the River St. Lawrence at Quebec.....	100,000 00
Grant to bridge over the River Ottawa at Portage du Fort.....	5,000 00
Loss on Exchange Bank deposit	25,218 75
Quebec Court House bonds.....	148,200 00

837,132,126 85

ASSETS.

Part of price of Q. M. O. & O. Ry., deposited in Banks.	8405,190 00
do do invested in \$20,000 Province of Quebec bonds, loan of 1878, bought at 100.....	31,610 00
do do invested in Quebec Court House bonds.	148,200 00
do do invested in City of Quebec bonds.....	15,000 00
Balance of price Q. M. O. & O. Ry., unpaid....	7,000,000 00
	<hr/> 7,600,000 00
Province of Quebec 3% Inscribed Stock	106,142 95
Railway grant under Dominion Act 47 Vic., Cap. 8.....	2,304,600 00
Cash in Banks.....	139,342 50
Cost of Jacques Cartier's Hotel, Montreal, to be repaid from sale of property.....	5,391 11
Claim in relation Honble. Thomas McGreevy.....	100,000 00
Advances to various parties.....	159,332 89
Quebec Court House tax, under 45 Vic., Cap. 26, and 48 Vic., Cap. 16.	148,200 00
	<hr/> 10,652,639 87
Excess of Liabilities over Assets at 30th June, 1902.	<hr/> <u>\$26,479,426 98</u>

CHANGES IN LIABILITIES AND ASSETS

The following changes have been made in the Liabilities and Assets during the year by the Payments and Receipts.

INCREASE OF LIABILITIES

Funded Debt by Conversion.....	\$ 1,823 11
Trusts Deposits.....	1,818 10
Grant to Bridge over Ottawa.....	5,000 00
	<hr/>
	\$ 8,636 21

DECREASE OF LIABILITIES

Funded Debt by Redemption.....	\$ 74,849 34
Outstanding Warrants..	113,985 66
Railway Subsidies.....	87,670 27
Grant to Bridge over St. Lawrence.	30,000 00
Quebec Court House Bonds.....	15,600 00
	<hr/>
	272,105 27
	<hr/>
Net decrease of Liabilities during year.....	\$263,469 06

INCREASE OF ASSETS

3% Inscribed Stock.....	\$ 25,689 08
-------------------------	--------------

DECREASE OF ASSETS

Cash in Banks —.....	155,695 78
Quebec Court House Tax.....	15,600 00
	<hr/>
	171,295 78
	<hr/>

Net decrease of Assets during year.....	145,605 70
---	------------

Decrease of Excess of Liabilities during year.....	<hr/>
	\$ 117,862 36
	<hr/>

The Excess of Liabilities over Assets at 30th June 1901	
Was.....	\$ 26,597,289 84
The Excess of Liabilities over assets at 30th June, 1902	
Was.....	26,479,426 88
	<hr/>
	\$ 117,862 36
The increase of Capital of Funded Debt by Conversion during the year was.....	1,823 11
	<hr/>
Decrease of Liabilities exclusive of increase of Debt by Conversion	\$ 119,685 47
	<hr/>
Accounted for as follows :	
Surplus of Ordinary Revenue over Ordinary and Extraordinary Expenditure.....	\$ 24,492 56
Proceeds of Sales of Exhibition Grounds, Montreal.....	19,224 39
LESS :	
Payments to Montreal Exhibition Company.....	\$ 18,004 29
Expenses of Sales.....	266 61
	<hr/>
	18,270 90
	<hr/>
	953 49
Amount by which the Funded Debt has been diminished..	74,849 34
Amount by which the Sinking Fund has been increased.....	25,689 08
	<hr/>
	\$ 125,984 47
DEDUCT :	
Amount paid on account of Construction of Q. M. O. & O. Railway.....	1,299 00
Grant to bridge over the Ottawa.....	5,000 00
	<hr/>
	6,299 00
	<hr/>
	\$ 119,685 47
	<hr/>

FUNDED DEBT.

At 30th June, 1901, the Funded Debt outstanding was..... \$35,007,898 18

At 30th June, 1902, " " 34,934,871 90

Reduction of Funded Debt..... \$ 73,026 23

Accounted for as follows :

Bonds of Loan of 1880 redeemed..... \$ 74,849 84

Bonds of various Loans redeemed in Conversion of Debt..... 9,733 83

\$ 84,582 67

Less 8 per cent. inscribed Stock issued in Conversion..... 11,556 44

\$ 73,026 23

The Funded Debt at 30th June, 1902, consisting of the Bonds and Stock outstanding of the various loans of the Province was..... \$34,934,871 90

Against which the Sinking Fund invested amounted to.... 10,100,142 95

Leaving the balance of Funded Debt unprovided for... \$24,834,728 95

UNFUNDED DEBT.

At 30th June, 1902, the Unfunded Debt consisted of:

Temporary Loans..... \$ 700,000 00

Trust Deposits..... 440,787 84

Outstanding Warrants 93,869 28

Railway Subsidies granted, but not earned..... 594,679 08

Grant to Bridge over the St. Lawrence 190,000 00

Grant to Bridge over the Ottawa..... 5,000 00

Loss on Exchange Bank Deposit..... 25,218 75

\$2,049,054 95

Against which there are:

Cash in Banks.....	\$139,032 92	
Claims against individuals and Corporations for Loans and advances.....	264,724 00	404,356 92
		<hr/>

Leaving a balance of Unfunded Debt to be provided for..... \$ 1,644,698 03

Which is \$19,147.05 less than last year.

Amount of Funded Debt unprovided for.....	\$24,881,728 95	
Amount of Unfunded Debt unprovided for.....	1,644,698 03	
Total Debt unprovided for.....	\$26,479,426 98	
		<hr/>

The reduction of the Unfunded Debt by..... \$ 19,147 05
is explained as follows:

Railway Subsidies decreased.....	\$ 37,670 27	
Bridge " "	25,000 00	
Outstanding Warrants "	118,985 66	
	\$ 176,655 93	
Trust Deposits increased....	1,813 10	
	\$ 174,842 83	
Cash in Banks decreased.....	155,635 78	
	<hr/>	\$ 19,147 05

CONVERSION OF DEBT UNDER 60 VIC., CAP. 2.

The following bonds have been converted during the year through the agency of the Bank of Montreal, London.

Loan of 1882 (London).....	\$ 6,813 34
" of 1888	486 66

	Loan of 1894 (London).....	2,433 33
		<u>9,733 33</u>
	The premium paid on these bonds amounted to.....	1,245 83
104,356 92		<u>\$ 10,978 06</u>
11,698 08	The discount at 5 p. c. on the Inscribed Stock issued amounted to.....	577 78
	Amount of 5 p. c. Inscribed Stock issued.....	<u>\$ 11,556 44</u>
31,728 95	The principal of the Debt was increased by conversion during the year by \$1,823.11	
11,698 08		
79,426 98	The total amount of bonds converted up to 30th June 1902, is.....	<u>\$ 7,463,821 32</u>
19,147 05	For which has been issued 5 p. c. Inscribed Stock for.....	<u>9,202,618 56</u>
	Increase of principal of debt by conversion.....	<u>\$ 1,738,797 24</u>
	The annual interest on the \$7,463,821.32 of converted bonds was.....	<u>\$ 334,439 18</u>
	The annual interest on the \$9,202,618.56 of Inscribed Stock is.....	<u>\$ 276,978 59</u>
	The annual Sinking Fund required to redeem \$1,738,797.24 increase of principal of Debt, by the 1st April 1927, is.....	<u>23,110 81</u>
		<u>299 188 88</u>
9,147 05	Annual saving by conversion until the date when the original bonds will have commenced to mature.....	<u>\$ 35,250 35</u>
	Against these annual savings is the commutation of stamp duties on the \$9,202,618.56 amounting to \$57,647.33.	

ARBITRATION

In my last Budget Speech I referred to the last stage at which the proceedings in Arbitration between Quebec and Ontario had then reached.

I might recall a few facts connected with the points then in dispute. You are of course aware that previous to Confederation, an Act, 12 Vict., Chap. 200, was passed setting aside one million acres of land situated in

the province of Ontario, the proceeds of which were to constitute a fund known as The Common School Fund. This was one of the joint assets which had to be dealt with by the arbitrators, and has proved a work involving enormous labour and many difficulties.

By the arbitration of 1870, it was provided that The Common School Fund formed a joint asset of Ontario and Quebec; that Ontario should have the right to administer the land and sell it, inasmuch as the land was situated in that province, and the Government of Ontario received a certain commission for its services.

This Common School Fund was one of the last subjects dealt with by the present Arbitrators. The state of the Common School Fund was as follows :

1. A portion of the land had been sold and paid for.
2. A further portion had been sold and the price remitted to the purchaser by the government of Ontario.
3. Other portions had been sold and the prices were neither remitted or collected but left in abeyance in the hands of the purchasers for various periods reaching back as far as thirty years, and over.
4. A further portion of the land remained unsold

Ontario has raised various objections, and over each point of dispute there has been considerable litigation.

In the first place Ontario contended that inasmuch as the Award of 1870 referred to a Common School Fund as forming a joint asset, the expression "Common School Fund" referred only to the monies actually collected and not to the lands unsold or to the monies uncollected.

This point was decided against Ontario. Quebec then made a claim for the monies arising from certain lands sold, the prices of sale of which were remitted to the purchasers. Ontario disputed Quebec's claim to these monies on the ground that these remissions made in good faith were the acts of a prudent administration made in the interests of the Fund. This involved an examination of each lot; a valuation of it and a careful calculation of the amount which ought to have been paid in each particular case.

The Supreme Court decided in favour of Quebec, and held Ontario liable for any sum rendered uncollectable by the positive act or wilful default of Ontario, and we were therefore awarded our share of the amount of the remissions.

A third class of claims remained to be dealt with, namely, the sums due for lands sold, the price of which however, was neither collected nor remitted, but which Ontario has neglected to collect, and a claim was made

for those sums amounting, perhaps, to four or five hundred thousand dollars, our share of which would be a little less than half.

Ontario met this demand by a preliminary exception, declining the jurisdiction of the Arbitrators, based upon the pretention that it was not included in the act of submission of the 10th of April, 1893. The province of Quebec was then represented by the present Mr. Justice Girouard, of the Supreme Court.

The particular clause relating to this matter reads as follows:

"The ascertainment and determination of the amount of the principal of the Common School Fund, the rate of interest which shall be allowed on such Fund, and the method of computation of such interest ;

"In the ascertainment of the amount of the principal of the said Common School Fund, the arbitrators are to take into consideration, not only the amount now held by the Government of the Dominion of Canada, but also the amount for which Ontario is liable, and also the value of the school lands which have not yet been sold."

Quebec contended that the expression "the amount for which Ontario is liable," included these uncollected balances.

Ontario contended that she was only liable for monies actually had and received, and not for the uncollected balances, or, in other words, not for sums not received.

Two of the arbitrators decided in favour of Ontario and maintained the preliminary exception and dismissed the claim of Quebec, Sir Louis Casault, however, dissented in favour of Quebec.

Quebec appealed to the Supreme Court. That Court upheld, Mr. Justice Gwyne dissenting, the contentions of Quebec ; dismissed the preliminary exception and ordered the arbitrators to hear the claim of Quebec on the merits.

Ontario appealed to the Privy Council, and Quebec of course resisted the Appeal.

The Privy Council, however, reversed the decision of the Supreme Court, maintained the preliminary exception, and held that the arbitrators had no jurisdiction to determine the claim of Quebec.

It will be seen, therefore, that no trial has taken place upon the merits of the claim, and that our rights on the merits are in no way affected.

Quebec will endeavour to induce Ontario to carry out the letter and the spirit of the acts authorizing the arbitration, and pass a new act of submission covering these points. So far Ontario has not agreed, and there the matter stands.

As this matter is practically the only one remaining to be settled, thought it well to give a very short summary of the arbitration on the whole, in so far as it affects the interests of Quebec.

The Assistant-Treasurer, Mr. H.T. Machin, whose labours in this matter have been so indefatigable in the interest of our Province, has kindly prepared the following memorandum for me, which I now take the liberty of reading.

MEMORANDUM

Prior to the appointment of the arbitrators for the final and conclusive determination of questions that had arisen and might arise in the settlement of accounts between the Dominion of Canada and the Provinces of Ontario and Quebec, and between the two Provinces, accounts had been rendered by the Dominion in 1882, 1885 and 1888, differing in form and results, none of which had been accepted by the two Provinces.

The arbitrators, therefore, directed that the Dominion should prepare statements of accounts brought down and extended to the 31st of December, 1892. These accounts were so prepared, and in the settlement of these accounts arose the varied and important questions (apart from the Common School Fund question) which have taken so much time and labor and litigation to determine.

The results of the arbitration in respect of these accounts so far as affecting the interest of the Province of Quebec, may be concisely stated as follows:

PROVINCE OF CANADA ACCOUNT

This account is the account of the Dominion against the Provinces of Ontario and Quebec, representing the late Province of Canada for the debts of which they are jointly liable, after deduction of the \$62,500,000 assumed by the Dominion under the British North America Act, and the \$10,500,088.84, additional assumed by the Dominion under the act of the Dominion of 1873, 36 Vic., chap. 30.

This account as produced before the arbitrators, by the Dominion, has been reduced by the awards of the Board of Arbitrators and by agreement of the persons, viz: the late Honorable A. M. Ross, the then Treasurer of Ontario, H. T. Machin, Assistant-Treasurer of Quebec, and M. G. Dickieson, the chief accountant of the Dominion: appointed by the board to investigate the items comprised in the different accounts rendered by the Dominion, by a net total amount of \$171,223.37 of which Quebec's share, in the proportion determined by the award of 1870 of the arbitrators appointed under the British America Act, is \$80,867.90.

be settled, in This net reduction was arrived at by the difference between the
tion on the amounts by which the debits and credits of the account were reduced or
increased.

this matter The credit side of the account was increased by the following items :
has kindly
the liberty

Cash and banking accounts at Confederation.....	\$16,829 78
Balances in hands of Collectors do	62,787 80
Receipts from Crown Lands transferred.....	80,880 90
Amount in hands of Accountant of House of Commons at Confederation	5,486 73
Refunds.	3,260 95
	<hr/> 168,696 16
Against which, credits in excess were deducted amounting to	4,606 88
	<hr/> \$164,089 53

The Debits were reduced by a number of items
struck out of the account or transferred to the
accounts of the Provinces, amounting in all to. \$64,226 03

Against which a number of items paid by the Dominion and not included in the account were allowed amounting to.....	57,091 99
	<hr/> 7,134 04

Making the net reduction of the account..... \$171,223 37

vinces of Apart from the province of Canada Account, as rendered, the Domi-
the debts nion filed a claim against the two Provinces for increased Annuities
assumed to the Lake Huron and Lake Superior Indians under the Robinson Trea-
\$10,500, ties of 1850, paid by the Dominion, or due to the Indians, to the 31st
Dominion December, 1892, amounting in all to \$809,746.80.

tion, has In this claim, as filed before the arbitrators in 1893, the claim was
agreement against Ontario and Quebec jointly, as representing the old Province of
asurer of Canada, for the increased annuities prior to Confederation, and against
McKieson. Ontario alone for the increased annuities after Confederation, and the
investi- award of the arbitrators was, as regarded the liability of each Province, in
the Domi- accordance with the claim.

appointed From this Ontario appealed to the Supreme Court, contending that
Quebec was jointly liable for any amount that might be awarded for the
increased annuities arising after Confederation, as well as for those arising

before. The Supreme Court maintained Ontario's appeal and the Privy Council confirmed the judgment of the Supreme Court, thus rendering Quebec jointly liable with Ontario for the whole of such amount as might be allowed by the Arbitrators.

By the final award and settlement of this claim, the Province of Canada account, represented by Ontario and Quebec, was charged with a total amount of \$318,000, which amount, however, included the capitalization of the increased annuities which released Ontario and Quebec from all liability for ever after the 31st December 1892, and which capitalization was not included in the original claim of \$809,746.80.

PROVINCE OF QUEBEC ACCOUNT

This is the account of the Province of Quebec with the Dominion from Confederation to 31st December 1892, and includes all the payments made and monies collected by the Dominion on behalf of the Province.

The account is also credited with the half-yearly subsidies which the Province has been entitled to receive under the British North America Act and subsequent Acts of the Dominion, as well as the interest on the Trust Funds declared by the Award of 1870 to belong to Quebec; with Quebec's share of the interest on the Common School Fund in the hands of the Dominion; the interest on the subsidy granted by the Dominion to Quebec in 1884 for the construction of the Railway from Quebec to Ottawa; and the interest on the Province of Canada account.

The account is debited with the payments made by the Dominion to Quebec on account of subsidies and interest as above; with Quebec's proportion of the interest on the excess of debt of the late Province of Canada; with the advances made by the Dominion of \$500,000 in 1878, and \$125,000 in 1879, and with Quebec's proportion of the amount standing at the debit of the late Province of Canada at 31st December, 1892.

From the account as rendered by the Dominion and submitted to the Arbitrators, the following charges have been, by awards of the Arbitrators, eliminated, viz:—

Montreal Turnpike Trust.....	\$ 321,667 92
Sundry items.....	27,247 78
And by their award on the interest question the charge for Quebec's Proportion of interest on the excess of Debt of the late Province of Canada has been reduced by the sum of.....	161,085 06
	<hr/> \$513,000 76

And the Privy And the credits have been increased by:—

rendering at as high:	Interest on the Province of Canada account.	\$	53,990	79
Province of	Widows Pension Fund at Confederation.....		14,165	62
ged with a	Sundry items omitted.....		7,118	73
capitaliza-		\$	75,270	14
ec from all				
italization		\$	588,270	90

Against these gains are the increase of debits, viz:—

inion from ents made	Rents of old fuel yard sold to North Shore Railway Company and of land in front of Parliament Buildings.....	\$	11,050	00
which the merica Act the Trust Quebec's ls of the to Quebec wa; and	Seignorial and Territorial Payments trans- ferred from Province of Canada account..		9,126	44
	Sundry Payments after Confederation on account of construction of Jails.....		2,644	85
	Balance of Quebec's share of amount at debit of Canada account at 31st December, 1892.		69,321	84
		\$	92,143	13

And reduction of credits, viz:

	Receipts from Crown Lands transferred to Province of Canada account.....	\$	36,429	41
	Interest over credited.....		78	92
			36,508	33
			128,651	46
	Leaving a net reduction in the account as rendered of.....	\$	459,619	44

COMMON SCHOOL FUND

This account, in which Ontario and Quebec alone are interested, relates to the proceeds of the sales of the 1,000,000 acres of land appropriated in 1850, to form a fund the interest on which should be divided between Upper and Lower Canada, in proportion to the decennial census, for the maintenance of Common Schools. At Confederation the amount at the

085 06

000 76

credit of the Fund was \$1,645,644.47, and the outstanding amounts due by purchasers of these lands was estimated at \$1,704,738.00 besides 8959 acres of land remaining unsold.

By the award of the Arbitrators of 1870, the Dominion was to continue to hold the Fund and pay interest to Ontario and Quebec respectively in proportion to the decennial census, Ontario being entrusted with the sale and management of the lands and the collection of the amounts due by the purchasers, being allowed six per cent. on amounts received, for so doing.

The Arbitrators also transferred from the \$1,645,644.47 to Ontario the sum of \$124,685.18 for the Upper Canada Improvement Fund and directed that from the proceeds of all sales made between the 14th June, 1856, and the 6th March, 1861, one fourth of the amount collected should be retained by Ontario for the said Improvement Fund, Ontario being held to pay to the Dominion the balance of all collections, to be added to the Common School Fund.

Instead of paying periodically the amounts so collected to the Dominion, Ontario retained them until January, 1889, but on the strong representations made by Quebec that this Province was entitled to receive half-yearly its share of the interest on such collections, Ontario paid to Quebec at various times on account of its share of such interest, sums amounting in all to \$250,000.

The matter thus remained unsettled at the time when the Arbitrators were appointed, and the settlement of this account was included in the matters submitted to them.

Quebec claimed that the award of the Arbitrators of 1870 concerning the retention of the twenty-five per cent. of the Upper Canada Improvement Fund as above mentioned, was in excess of their powers, but this claim has been disallowed.

Quebec asked for a detailed statement of all amounts collected since 1867 by Ontario, and, not having been furnished with such statement, employed chartered accountants who, under direction of the Assistant Treasurer and with the consent of the Government of Ontario, which placed the books and records of the Crown Lands Department at Toronto at their disposition, made up a detailed statement of all lands, sales of such lands, interest accrued thereon, and collections on account of the same. This was a very onerous and lengthy task and involved a very large expense. In the course of the examination of the books and documents, it transpired that a large amount of remissions had been made to purchasers on settling for their indebtedness, both in capital and interest. By an Act of the Legislature of Ontario in 1875 such remissions were authorized to be made, but it was distinctly stated in the Act that these remissions were to be made from the Consolidated Fund of Ontario, and that Quebec's share in the Common School Fund was not to be affected. It was found, however,

that the full amounts of such remissions had been deducted from the amounts due to the Common School Fund, and the balances only credited to the Fund. A detailed statement of these remissions, and the interest on them, was prepared and, with the detailed account of collections since 1867, was submitted to the Arbitrators with Quebec's claim founded thereon.

The claims made by Quebec in respect of this account may be briefly stated as follows :

That the accounts should be made up with interest compounded half yearly ;

That Ontario should be adjudged liable to the fund for the balance of collections to the 31st December, 1892, not paid to the Dominion ;

That Ontario should be adjudged liable to the fund for the amount of all remissions made to the purchasers of Common School lands ;

That Ontario should be adjudged liable to Quebec for its share of interest on all collections not paid into the Dominion for such time as they were retained ;

That Ontario should be adjudged liable to Quebec, for its share of interest on the amounts of all remissions made to purchasers from the date thereof ;

That the amount of the uncollected balances due by purchasers should be ascertained and that Ontario should, within a time to be fixed by the Arbitrators, be held liable for such amount of these balances as might be deemed just and fair.

There have been five separate awards in respect of this fund. There have been three appeals to the Supreme Court and one to the Privy Council.

The effect of the awards and judgments, so far, is that Ontario has been adjudged liable to the fund, in which Quebec has a joint interest in proportion to the census, for the balance of collections to the 31st December, 1892, not accounted for to the Dominion and for the amount of the remissions made to purchasers, amounting together to over \$220,000 ; and is also liable, under the awards, for interest on the retained collections and on the remissions, of which, according to an account prepared, but not yet finally settled by the arbitrators, Quebec's share will amount to over \$195,000.00.

Quebec may, therefore, be said to have gained, as the result of the investigation and preparation of the accounts and by the Awards thereon, about \$290,000 up to the 31st December, 1892, in items disputed by Ontario.

In regard to the claim of Quebec respecting the uncollected balances, it has been decided that the Arbitrators' jurisdiction does not extend to them, but that does not affect Quebec's interest therein.

The accounts herein referred to are all made up only to the 31st December, 1892, to which date it is contended that the jurisdiction of the Arbitrators is limited by the first deed of submission.

A résumé of the foregoing indicates that as the result of the arbitration, so far, the liability of Quebec to the Dominion, as stated in the accounts rendered by the Dominion, has been reduced as follows:

Quebec's share of reduction in Province of Canada account,...	\$	80,867	90
Quebec's share of reduction in Dominion claim for increased annuities to Indians.....		232,249	54
Net reduction of liability in the account of Quebec with the Dominion.....		459,619	44
		<u>\$772,736</u>	<u>88</u>

And in the Common School Fund Account between Ontario and Quebec, claims of Quebec have been maintained:

For its share according to Census in collections not yet paid into the Fund and in remissions made by Ontario, to be paid into the Fund.....	\$	94,119	50
For its share of interest on collections retained by Ontario, less the \$250,000 already paid by Ontario to Quebec, and its share of interest on amount of remissions made by Ontario.....		195,000	00
		<u>289,119</u>	<u>50</u>
		<u>\$1,061,856</u>	<u>38</u>

OUR PRESENT CONDITION

Our present condition resembles very much that of a year ago. We have lived within our means, and while our income has not increased, neither has our expenditure.

In my last Budget Speech I remarked that while the sources of our revenue remain as they are, to embark on new enterprises means new loans, increased debt and our annual deficits as of old.

I cannot too often remind this House and the country of the fact that the annual interest on our indebtedness amounts to about \$1,500,000, a

sum of money which would be sufficient, if we had it at our disposal for ordinary expenditure, to enable the Government to aid those wants which are most pressing, in a way highly beneficial to the development of our great natural resources.

OUR FUTURE PROSPECTS

We are called upon constantly to ponder over the question of our future prospects. Wants of the most pressing character are ever urged upon us without any corresponding means of supplying them. Are we to better our position? The Government has hopes in three directions and is doing its best to realize them, mainly:

1. By endeavouring to induce the Government of the Dominion to remedy a long injustice and increase our subsidies and grants;

2. We have filed a claim against the Dominion for our share of the Halifax Award, and;

3. We hope to effect a change in the interest charges on our Public Debt, by which a considerable saving can be effected.

1.—INCREASE OF DOMINION SUBSIDIES AND GRANTS

Demands have frequently been made by the Provinces upon the Dominion for increased grants. The history of these demands in the past is well known. Unfortunately, however, the results have been fruitless.

By article 118 of the British North America Act, 1867, the Province receives subsidies of two kinds:

1. A specific sum of \$70,000, and;

2. 80 cents per head of the population of 1,111,566 established by the census of 1861.

The Fathers of Confederation, as they are called, were no doubt men of great ability, but it is interesting to read now the debates on Confederation and to see how inadequate was their conception of the great destinies reserved for some of our largest Provinces. Several of the speakers expressed themselves to the effect that 30 cents per head of the population was a sufficient sum to meet their wants in the future. An experience of thirty years has shown how sadly they were mistaken. We have only to compare the expenditure of the Province of Quebec for the fiscal year of 1867-68 which amounted to..... \$ 1,183,238 44 with that of 1900-01 amounting to..... 4,707,932 24

to see how the expenditure has increased..... \$ 3,524,693 80

The following table gives the increase under different departments and in every case it has more than doubled :

COMPARATIVE STATEMENT of the expenditure of the Province of Quebec for the fiscal years 1867-1868 and 1900-1901.

	1867-68	1900-01
Civil Government.....	\$ 104,096 45	\$ 278,307 42
Administration of Justice.....	300,442 63	618,296 88
Reformatories.....	26,964 40	60,000 00
Legislation.....	109,144 06	235,596 09
Education, &c.....	275,605 27	465,589 68
Asylums, Hospitals and Charities.....	125 256 53	397,895 75
Crown Lands, Public Works, Agriculture and Colonization.....	226,678 82	678,806 83
Licenses, &c.....	15,050 28	72,769 65
Public debt.....		1,617,441 06
Inspection of industrial establishments.....		12,000 00
Quebec Official Gazette.....		13,000 00
Provincial Board of Health.....		17,625 08
Pensions : Civil Service, &c.....		45,221 47
Municipalities' fund.....		180 00
Property sold.....		286 40
Railways.....		123,310 10
Sundry payments.....		71,592 83
	\$1,183,238 44	\$1,707,932 24

By the Act of Confederation the Provinces gave up an expanding revenue from customs and excise and received in return once for all the fixed subsidies I have mentioned. We have only to again resort to comparisons to see to what extent this is the case.

During the first year of Confederation the Revenue from Customs and Excise amounted to.\$ 11,580,968 25

While for the year 1900, the Revenue from the same sources produced.....\$ 38,245,223 00

Being an increase of.....\$ 26,664,254 75

In other words, that which we gave increased by three fold, while that which we received remained stationary. In addition to this the fixed

grant of \$70,000, has proved equally inadequate to meet the ends for which it was destined.

Our population in 1868 was 1,111,566 souls, while in 1901 the figure was 1,620,014. By a strange contradiction, every increase in our population, carries with it an increase in our expenditure, affecting it as regards the costs of the administration of Justice, of Asylums, Hospitals, Colonization, Agriculture, etc. While at the same time each increase in the population is a new source of Revenue for the Dominion.

CHANGES PROPOSED

It has been the object of the Inter-Provincial Conference, held in December last, to so adjust our relations with the Dominion that our Subsidies and Grants, shall from time to time increase, according to the increase in population. We have therefore asked that :

(A) Instead of the amounts now paid the sums hereafter payable yearly by Canada to the several Provinces for the support of their Governments and Legislatures shall be as follows :—

(a) Where the population is under 150,000.....	\$100,000 00
(b) Where the population is 150,000, but does not exceed 200,000.....	150,000 00
(c) Where the population is 200,000, but does not exceed 400,000.....	180,000 00
(d) Where the population is 400,000, but does not exceed 800,000....	190,000 00
(e) Where the population is 800,000, but does not exceed 1,500,000	220,000 00
(f) Where the population exceeds 1,500,000.....	240,000 00

(B) Instead of an annual grant per head of the population now allowed, the annual payment hereafter to be at the same rate of 80 cents per head, but on the population of each Province as ascertained, from time to time, by the last decennial census, until such population exceeds 2,500,000, and at the rate of 60 cents per head for so much of said population as may exceed 2,500,000.

(C) The population as ascertained by the last decennial census to govern, except as to British Columbia and Manitoba, and as to these two Provinces, the population to be taken to be that upon which, under the respective statutes in that behalf, the annual payments now made to them respectively by the Dominion are fixed, until the actual population is by the census ascertained to be greater ; and thereafter the actual population so ascertained to govern ;

(D) The amounts so to be paid and granted by the Dominion to the provinces half yearly in advance.

We have also asked the Dominion Government to consider the costs, of the administration of Justice, and in addition the amounts that may be allowed to the Provinces, under the above claims, to award to each an amount for that purpose, commensurate with the expenditure necessary to be made in that regard; not to exceed 25 cents per capita of the population as determined by each decennial census.

If we succeed in the demands made, in place of \$70,000, we would receive \$240,000, an annual increase of \$170,000, and our per capita grant will be increased by \$420,365.60, making in all, \$529,865.60. This is independent of any sums that may be allowed for the administration of Criminal Justice.

HALIFAX AWARD

Numerous authorities on International Law of the highest standing the jurisprudence of the different civilized nations, as well as numerous treaties between them, all recognize the proposition that a belt or zone of three miles surrounding or washing the shores of a nation—what is termed territorial waters—is the property of that nation.

Puffendorff, Bynkershoek, Casaragis, Mozer, Azuni, Klüber, Wheaton, Hautefeuille, and Kaltenborn, though not all placing the limit of territorial jurisdiction at the same distance from the shore none of them fix it at a smaller distance than a cannon shot, or as far off as arms can command it; they also give no qualification to the jurisdiction, but seem to regard it as if, having regard to the difference of land and water, it were an absolute territorial possession.

Bishop, in his criminal law in speaking of certain pretensions of Mr. Benjamin says :

“ I am, however unable to assent to Mr. Benjamin's further contention, viz : that the dominion of a state over the seas adjoining its shores exists only for certain definite purposes for which such dominion has been conceded to it by other nations ; i. e., the protection of the coasts from the effect of hostilities between other nations which may be at war, the protection of its revenue and of its fisheries and the preservation of order by its police. On the contrary, I think the weight of authority is entirely in favor of a general dominion for all purposes consistent with peaceful navigation.”

These principles have been admitted by both the United States and Great Britain formally in treaties.

The matter was fully discussed during the negotiations for the Treaty of Paris, 1783, when Great Britain expressly denied the right of the United States fishermen to fish in British waters (that is the right to fish within

three miles from the coast, because the right to fish on the grand banks of Newfoundland and in the open sea, was admitted) or to land for the purpose drying their nets or curing their fish.

By article XVIII of the Washington Treaty of 1871, it is expressly stipulated as follows :

" It is agreed by the high contracting parties that, in addition to the liberty secured to the United States fishermen by the convention between Great Britain and the United States, signed at London on the 29th day of October, 1818, of taking, curing, and drying fish on certain coasts of the British North American Colonies therein defined, the inhabitants of the United States shall have, in common with the subjects of Her Britannic Majesty, the liberty for the term of years mentioned in article XXXIII. of this Treaty (twelve years), to take fish of every kind, except shell-fish, on the sea coasts and shores and in the bays, harbors, and creeks of the Provinces of Quebec, Nova Scotia and New Brunswick and the Colony of Prince Edward Island, and of the several islands thereunto adjacent without being restricted to any distance from the shore, with permission to land upon the said coasts and shores and islands, and also upon the Magdalen Islands, for the purpose of drying their nets and curing their fish ; provided that, in so doing, they do not interfere with the rights of private property or with British fishermen, in the peaceable use of any part of the said coasts in their occupancy for the same purpose.

" It is understood that the above mentioned liberty applies solely to the sea fishery and that the salmon and shad fisheries, and all other fisheries in rivers, and the mouth of rivers, are hereby reserved exclusively for British fishermen."

And article 19 gives similar privileges to British fishermen on the eastern coast and shores of the United States.

Article 22 of the Treaty provided :

" Inasmuch as it is asserted by the Government of Her Britannic Majesty, that the privileges accorded to the citizens of the United States under article XVIII of this Treaty, are of greater value than those accorded by article XIX and XXI of this Treaty to the subjects of Her Britannic Majesty, and this assertion is not admitted by the Government of the United States, it is further agreed that Commissioners shall be appointed to determine having regard to the privileges accorded by the United States to the subjects of Her Britannic Majesty, as stated in Articles XIX and XXI of this Treaty, the amount of any compensation which, in their opinion ought to be paid by the Government of the United States to the Government of Her Britannic Majesty in return for the privileges accorded to the citizens of the United States under Article XVIII of this Treaty ; and that any sum of money which the said Commissioners may so award shall be paid by the United States Government, in a gross sum, within twelve months after such award shall have been given."

Commissioners were appointed under that article, and again at its sitting at Halifax on the 15th June 1877, and after taking the evidence and hearing the representatives of the two nations, rendered its award, allowing the Government of Her Britannic Majesty a compensation of \$5,500,000 payable by the Government of the United States.

On the 21st of November, 1878, the Government of the United States paid this sum to the Government of the United Kingdom, and shortly afterwards the latter paid to Newfoundland the sum of one million dollars as its share of the award, and the sum of four million five hundred thousand dollars to the Government of Canada.

It is important to remark that there was no doubt as to what the right were for which this sum was paid.

Mr. Foster, who represented the United States, asked the tribunal to limit their enquiry to the amounts to be paid by the United States for fishing within the three mile limit, and for landing upon the Provincial coasts and shores and islands for the purpose of drying nets and curing fish, and this was agreed to by the tribunal, so that the award went upon the use by the United States of the fisheries within the three mile limit of the Provinces, the landing upon the shores and drying their nets and curing their fish upon such shores.

The question now presents itself, namely, to whom did these rights belong? Did they belong to the Dominion or did they belong to the several Provinces respectively. At the time it was supposed that they belong to the Dominion and were so dealt with. The Government of Her Britannic Majesty taking this for granted paid over the above sum of \$4,500,000 to the Dominion, and the Provinces apparently made no protest at the time.

Matters remained thus until the decision in the case between the Attorney-General for Canada and the Attorney-General for Ontario.

In that judgment the following language is used:—

“The Dominion of Canada was called into existence by the British North America Act, 1867. Whatever proprietary rights were at the time of the passing of that act possessed by the provinces remain vested in them, except such as are by any of its express enactments transferred to the Dominion of Canada.”

“Their Lordships are of opinion that the 91st section of the British North America Act did not convey to the Dominion of Canada any proprietary rights in relation to fisheries. Their Lordships have already noticed the distinction which must be borne in mind between rights of property and legislative jurisdiction. It was the latter only which was conferred under the heading Sea-Coast and Inland Fisheries in s. 91. Whatever proprietary rights in relation to fisheries were previously vested in private individuals or in the Provinces respectively remained untouched by that enactment. What-

over grants might previously have been lawfully made by the provinces in virtue of their proprietary rights could lawfully be made after that enactment came in force." See page 712.

I therefore respectfully submit that the proprietary rights and privileges referred to in article 22 above cited, and for which the United States paid the award of \$4,500,000.00 were vested in the provinces and not in the Dominion; and that that sum should have been paid to the provinces and not to the Dominion.

Quebec therefore has filed with the Dominion a claim for \$1,425,855, as being its share of the sum paid to the Dominion, with interest since 1st January, 1879, forming a total amount of \$3,393,531.

If the principal is once admitted by the Dominion, the Provinces will be obliged to settle amongst themselves the respective share of each.

I have given this very concise account of this claim but I hope sufficiently full to show the soundness of the basis upon which it rests: so far a formal answer has not been given by the Dominion.

THE REDUCTION OF OUR RATE OF INTEREST

The Government for some time has been watching for an opportune time to consolidate and convert our public debt with the hope of reducing our interest charges. This was a matter to be approached with much care and circumspection.

The first thing to be considered was the improvement of our credit which of necessity must have been impaired by a long series of annual deficits which formed part for many years of the financial history of the Province. The continual rapid augmentation of our public debt is a tendency not likely to improve our credit. We have therefore felt that the first thing to be done was to improve our credit by putting an end to deficits and living within our means, so as to get along in the future without increased borrowing. In all this we have succeeded. Our revenue is also increased to same extent in different directions already mentioned. Our forests and our water powers have been so dealt with as to demonstrate the enormous resources of our Province in this respect. Having therefore placed our credit upon a sound basis, the next thing to be taken into consideration was the condition of the Money Market.

During the last three or four years this has been exceedingly unpropitious. The rate of interest all over the world has been unexpectedly high owing:

1. To the enormous industrial expansion that has prevailed throughout the world.
2. To the war between the United States and Cuba.

3. To the War in South Africa.

This condition of affairs will prevail for a few months longer, as I note that Great Britain proposes to negotiate a loan of \$175,000,000 to be spent in south Africa to meet the new conditions arising out of the recent struggle there. Notwithstanding this, however, I think we have reason to believe that the financial horizon is clearing and that the money market will resume not only its normal, but also a more favourable condition. To be in a position to avail ourselves of the improved conditions the Government will ask the House to adopt such legislation as will enable it to do so.

IN BRIEF

If our hopes are realized in obtaining a reasonably increased grant from the Dominion and in reducing our interest charges, by an appreciable amount, the Province will be placed upon a financial footing such as it has not seen for many years. It is not my custom to dwell upon prospects that may prove delusions. But in bringing my remarks to a close and thanking the House for its great patience, I believe I have reasons for saying that the dawn of a better day for our Province is coming.

Mr. Speaker, I do now move that you leave the Chair and that the House do resolve itself into a Committee of Supply.

STATEMENT A.

STATEMENT OF PAYMENTS (not including Railway and Bridge Subsidies Repayment of Railway Guarantee Deposits and Bonds redeemed in Conversion of Debt); and of RECEIPTS (not including proceeds of Inscribed Stock issued in Conversion of Debt): for the five years ending 30th June, 1902.

Year.	Payments.	Receipts.	Excess of Payments	Excess of Receipts.
1897-98	\$4,449,045.48	\$4,236,015.14	\$213,030.34
1898-99	4,234,410.81	4,249,589.99	\$15,179.18
1899-00	4,465,833.24	4,502,445.83	36,612.59
1900-01	4,561,656.73	4,745,190.47	183,533.74
1901-02	4,573,770.66	4,601,029.81	27,259.15

STATEMENT B.

1897-98.

PAYMENTS :

Ordinary Expenditure (including \$87,307 99 for Bonds of Loan of 1880 redeemed)...	\$4,364,686 68	
Extraordinary Expenditure (Public Buildings)	50,683 70	
	<hr/>	\$4,415,370 38
Payments on Trust Funds.....		33,675 10
		<hr/>
		\$4,449,045 48

RECEIPTS :

Ordinary Revenue.....	\$4,177,656 35	
Trust Fund Deposits.....	58,358 79	
	<hr/>	4,236,015 14
		<hr/>
Excess of Payments.....	\$	213,030 34

1898-99.

PAYMENTS :

Ordinary Expenditure (including \$70,274.67 for Bonds of Loan of 1880, redeemed)...	\$4,189,964 10	
Extraordinary Expenditure (Public Buildings)	11,059 11	
	<u> </u>	\$4,201,023 2
Payments on Trust Funds.....		33,387 0
		<u> </u>
		\$4,234,410 2

RECEIPTS :

Ordinary Revenue	\$4,223,843 26	
Trust Fund Deposits.....	25,746 73	
	<u> </u>	4,249,590 0
Excess of Receipts.....	\$	15,179 18

1899-00.

PAYMENTS :

Ordinary Expenditure (including \$67,549 33 for Bonds of Loan of 1880, redeemed)...	\$4,428,385 72	
Extraordinary Expenditure (Public Buildings)	5,000 00	
	<u> </u>	\$4,433,385 72
Payments on Trust Funds.....		32,447 52
		<u> </u>
		\$4,465,833 24

RECEIPTS :

Ordinary Revenue	\$4,451,578 29	
Trust Fund Deposits.....	50,867 54	
	<u> </u>	4,502,445 83
Excess of Receipts.....	\$	36,612 59

1900-01.

PAYMENTS :

Ordinary Expenditure (including \$74,046 67 for Bonds of Loan of 1880, redeemed)...	\$4,492,092 11	
Extraordinary Expenditure (Public Buildings)	21,165 18	
		<u>\$4,513,257 62</u>
Expenses, sales of property.....		206 40
Payments on Trust Funds.....		45,102 71
		<u>\$4,561,656 73</u>

RECEIPTS :

Ordinary Revenue.....	\$4,563,432 18	
Property, common to the Alé and Cham Pondine Streets, Quebec, price of part sold.....	15,000 00	
Exhibition Grounds, Montreal, on account of sales.....	31,046 39	
Trust Fund Deposits.....	135,711 40	
		<u>4,745,190 47</u>
Excess of Receipts.....	\$ 183,533 74	

1901-02.

PAYMENTS :

Ordinary Expenditure (including \$74,819 74 for Bonds of Loan of 1880, redeemed)...	\$4,470,332 15	
Extraordinary Expenditure (Public Buildings)	20,345 17	
		<u>\$4,490,677 32</u>
Montreal Exposition Company, from proceeds of sales of Exhibition Grounds.....		18,004 29
Expenses, sales of Property.....		266 61
Payments on Trust Funds.....		64,822 44
		<u>\$4,573,770 66</u>

RECEIPTS :

Ordinary Revenue.....	\$4,515,169 88	
Exhibition Grounds, Montreal, on account of sales.....	19,224 39	
Trust Fund Deposits.....	66,635 54	
		<u>4,601,029 81</u>
Excess of Receipts.....	\$ 27,259 15	

Railway Inspector on Fees 764 60
 Interest on Loans and Deposits 1,097 22
 1,097 22

Premium, Discount and Exchange.....	2,917 61	2,917 61			
Interest on price of sale, Q. M. O. & O. Ry.	3,000 56 59	3,000 56 59			
Quebec Fire Loan	11,930 29	11,930 29			
Reimbursement Railway Subsidies Fund					
Property, corner of Grande Allée and Claire Fontaine Streets					
Quebec, part of price sold	3,338 71	3,338 71			
Exhibition Grounds, Montreal, on account of sales	15,000 00	15,000 00			
	31,046 89	31,046 89			
Trust Funds, viz					
Teachers Pension Fund					
City of Hull Sinking Fund	1,022 70	1,022 70			
Pontreil-Gatineau Sinking Fund	178 81	178 81			
Hens and Estate F. E. Roy	100 00	100 00			
Marriage License Fund	886 10	886 10			
Security Deposits Public Officers	6,804 00	6,804 00			
Deposit under 63 Vict., cap. 34	503 00	503 00			
do do 61 Vict., cap. 29	5,000 00	5,000 00			
Build. Cent. House Debitures Sinking Fund	25,000 00	25,000 00			
Building and Jury Fund District of Rimouski	997 10	997 10			
House and Coal	308 45	308 45			
Quebec Court House Tax	17 78 10	17 78 10			
Deposit under 63 Vict., ch. 44					
Special Deposits Fines at Spencer Wood	24,000 00	24,000 00			
Building and Jury Fund District of Ottawa	20,000 00	20,000 00			
House and Coal and commission	51 00	51 00			
Town of St. Lawrence, de Villebelle	38,442 54	38,442 54			
Deposit under 63 Vict., ch. 94	50,000 00	50,000 00			
Special Deposit Fire at Châteauguay Court House					
Proceeds of Inscribed Stock repaid in conversion of debt					
Cash on hand at 1st July of each year	4,236,015 44	4,236,015 44			
	438,676 28	438,676 28			
	1,391,428 65	1,391,428 65			
	6,366,120 07	6,366,120 07			
	4,236,015 44	4,236,015 44			
	438,676 28	438,676 28			
	1,391,428 65	1,391,428 65			
	6,366,120 07	6,366,120 07			

STATEMENT D.

PAYMENTS.

	1897-98	1898-99	1900-01	1901-02
	£	¢	£	¢
Public Debt	1,391,177 03	1,558,323 03	1,540,275 04	1,542,140 79
Legislation	210,910 19	190,027 22	235,596 00	237,720 63
Civil Government	282,585 08	269,650 70	278,397 42	271,891 19
Administration of Justice	530,594 08	544,831 09	509,911 12	618,315 23
Reformatory and Industrial Schools	61,781 97	64,300 00	60,000 00	60,000 00
Public Instruction (including Night Schools)	448,700 00	412,657 52	408,989 08	469,184 79
Agriculture	198,226 97	176,118 26	194,659 97	217,358 69
Colonization	106,000 00	79,000 00	119,000 00	112,540 00
Immigration	4,250 00	4,250 00	4,249 63	4,250 00
Public Works and Buildings:				
Ordinary	127,483 73	83,908 98	126,390 61	99,348 00
Extraordinary	50,683 70	11,059 11	24,165 18	29,345 17
Lunatic Asylums	304,825 00	343,825 00	323,825 00	323,825 00
Charities	44,375 75	44,570 75	44,570 75	45,210 75
Fauna, Mines & Fisheries	190,505 31	178,811 41	208,815 16	204,043 82
Charges on Revenue (including payments by Revenue officers out of col- lections)	419,583 49	429,742 05	432,635 41	439,946 37
Miscellaneous	118,624 18	108,265 09	144,188 54	124,556 79
Reimbursement Railway Subsidies Fund, Refund	4,115,370 38	4,201,025 21	4,516,257 62	4,490,677 32
Montreal Exposition Company, from proceeds of sales of Exhibition Grounds				18,004 29
Expenses, sales of property				266 61
Trust Funds	33,675 10	33,387 00	45,102 71	64,822 44
	1,449,045 18	1,231,410 84	4,501,656 73	4,573,770 66
	237,471 86	99,630 37		
Repayment of Railway Grant & Deposits	4,686,517 34	4,334,041 18	4,561,656 73	4,573,770 66

Railway Subsidies and Q. M. O. & O. Railway.....	198,645 14	100,079 17	90,276 22	93,318 10	38,909 27
Quebec Bridge Subsidy	4,885,162 48	4,434,120 35	4,589,181 58	4,684,974 83	30,000 00
Redemption of debt by conversion:					4,622,789 93
Part of Loan 1874 and premium.....	56,048 90	915,420 48	2,509 47		
do do 1876	64,794 80	981,409 77			
do do 1878	163,584 00	178,491 23			
do do 1880	24,079 04	913,375 98	34,059 87		
do do 1882	322,849 80	771,470 89	30,492 73	33,203 26	7,783 75
do do 1888		315,494 00		29,116 78	328 47
do do 1894	107,319 74	313,461 95		5,347 98	2,666 44
	5,023,838 76	8,823,442 65	4,657 33 65	4,733,642 95	4,633,718 59
Add : Payment of Warrants outstanding at the beginning of each year.	413,257 08	194,639 36	87,476 18	132 646 93	297 351 91
Deduct : Unpaid Warrants outstanding at the end of each year.....	6,067,095 81	9,015,082 04	4 743 809 83	4,882,709 88	4,861,075 33
	194,639 36	87 476 18	13 566 93	297 354 94	93 369 28
	5,875,456 48	8 957 665 83	4,611,112 90	4,678,354 94	4,757,794 25

STATEMENT E.

ESTIMATED RECEIPTS, 1903-1904.

DOMINION OF CANADA:

Subsidy under E. N. A. Act.....	\$959,252 86	
Interest on Trust Funds.....	75,251 86	
Special Subsidy, 47 Vict., chap. 4.....	127,460 68	
Interest on Railway Subsidies under 47 Vict., chap. 8.....	119,700 00	
		<u>\$1,281,665 34</u>

INTEREST:

Interest on price of sale O. M. O. & O. Railway.....	300,000 00	
Interest on Loans and Deposits.....	10,000 00	
		<u>310,000 00</u>

LANDS, MINES & FISHERIES.....		<u>1,220,500 00</u>
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ADMINISTRATION OF JUSTICE:

Law Stamps.....	195,000 00	
Law Fees.....	10,000 00	
Building and Jury Fund.....	50,000 00	
Maintenance of Prisoners.....	11,000 00	
Goal Guards, Montreal and Quebec.....	4,000 00	
Montreal Goal.....	1,500 00	
Other Goals—Prisoners' earnings.....	200 00	
Montreal Court House.....	4,000 00	
High Constable's Fees, Quebec.....	500 00	
		<u>256,200 00</u>
Registration Stamps (including fees of salaried Registrars).....		65,000 00
Licenses.....		675,000 00
Direct Taxes on Commercial Corporations.....		232,000 00
Duties on Successions.....		258,000 00
Percentage on Fees of Public Officers.....		6,000 00
Percentage on renewals of Mortgages.....		100 00
Maintenance of Insane.....		75,000 00
Maintenance of Inmates of Industrial and Reformatory Schools.....		25,000 00
Legislation.....		15,000 00
Official Gazette.....		19,900 00
Rents of Public Buildings.....		1,000 00
Casual Revenue.....		10,000 00
Provincial Insurance Companies—Contributions.....		400 00
Contributions to Pensions, Civil Service.....		5,000 00
Premium, Discount and Exchange.....		2,000 00
Railway Subsidies Tax.....		15,000 00
		<u>\$ 4,478,765 34</u>

STATEMENT F.
ESTIMATED EXPENDITURE, 1903-1904.

Public Debt	\$1,562,103 05
Legislation	206,933 50
Civil Government	272,988 50
Administration of Justice	536,362 30
Public Instruction	167,590 00
Colonization and Public Works :	
Colonization Branch	\$105,250 00
Public Works Branch, Ordinary	134,220 81
	239,470 81
Agriculture	221,850 00
Lands, Mines & Fisheries	217,000 00
Lunatic Asylums	365,825 00
Reformatory and Industrial Schools	60,000 00
Charities	45,210 75
Charges on Revenue	129,000 00
Miscellaneous Services	102,100 00
	4,426,133 91
Public Works and Buildings—Extraordinary	50,500 00
	4,476,633 91
Railway Subsidies	192,284 00
	\$4,668,917 91

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STATEMENT G.

Approximate statement of Liabilities and Assets of the Province of Quebec at 30th June, 1902.

LIABILITIES.

Funded Debt out-standing as existing before conversion	\$33,196,074 66
Increase of capital by conversion	1,738,797 21
	<hr/>
Temporary Loan	\$34,934,871 90
Trust Deposits	700,000 00
Outstanding Warrants	140,787 84
Railway money subsidies authorized but not yet earned	93,360 28
Railway land subsidies converted into money subsidies at 52½ cents per acre, authorized but not yet earned	8136,195 50
	458,483 58
	<hr/>
Grant to bridge over the River St. Lawrence at Quebec	594,679 08
Grant to bridge over the River Ottawa at Portage du Fort	190,000 00
Loss on Exchange Bank deposit	5,000 00
Quebec Court House bonds	25,218 75
	148,200 00
	<hr/>

ASSETS.

Part of price of Q. M. O. & G. Ry., deposited in Banks	\$405,190 00
do do invested in \$20,000 Pro- vince of Quebec bonds, loan of 1878, bought at 100	31,610 00
do do invested in Quebec Court House bonds	148,200 00
do do invested in City of Quebec bonds	15,000 00
Balance of price Q. M. O. & G. Ry., unpaid	7,000,000 00
	<hr/>
Province of Quebec 3% Inscribed Stock	7,600,000 00
Railway grant under Dominion Act 47 Vic., Cap. 8	106,142 53
Cash in Banks	2,394,000 00
Cost of Jacques Cartier School, Montreal, to be repaid from sale of property	139,632 92
Claim <i>in re</i> late Honble. Thomas McGreevy	5,391 11
Advances to various parties	100,000 00
Quebec Court House tax, under 45 Vic., Cap. 26, and 48 Vic., Cap. 16.	159,332 89
	148,200 00
	<hr/>
	10,652,699 87
	<hr/>
Excess of Liabilities over Assets at 30th June, 1902.	\$26,479,426 98

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